

Message Text

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E.O. 11652: N/A

TAGS: EGEN, DA

SUBJECT: BUSINESS EXPECTS CONTINUED SLACK IN
THIRD QUARTER

1. SUMMARY: ACCORDING TO QUARTERLY BUSINESS FORECASTS, MANUFACTURING INDUSTRIES EXPECT REDUCED PRODUCTION, EMPLOYMENT AND INVESTMENT IN THE THIRD QUARTER OF 1975. CONSTRUCTION INDUSTRIES EXPECT UNCHANGED ACTIVITY. END SUMMARY.

2. ACCORDING TO QUARTERLY BUSINESS FORECASTS
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MANUFACTURING INDUSTRIES EXPECT A FUTHER DROP IN

PRODUCTION AND EMPLOYMENT IN THE THIRD QUARTER OF 1975. BUSINESS HAD HOPED THAT BOTH DOMESTIC AND EXPORT MARKETS WOULD HAVE IMPROVED IN THE SECOND QUARTER BUT IMPROVEMENTS WERE NOMINAL AND PRODUCTION REMAINED FLAT. EMPLOYMENT DROPPED MORE THAN ANTICIPATED. IN THIS SITUATION, MANUFACTURERS CONTINUED TO SELL OFF STOCKS OF MANUFACTURED GOODS AND ALSO REDUCED THEIR RAW MATERIALS INVENTORIES SIGNIFICANTLY. INVESTMENT FELL AND IS EXPECTED TO BE FURTHER REDUCED IN THE THIRD QUARTER. MANUFACTURERS SEE NO HOPE FOR DOMESTIC MARKET EXPANSION BUT AIM AT A MODERATE EXPORT GROWTH. THEY PLAN TO FEED THIS LIMITED INCREASE IN SALES BY A FURTHER INVENTORY REDUCTION.

3. THERE ARE SOME INDICATIONS THAT THE DEPRESSED CONSTRUCTION INDUSTRY MAY HAVE BOTTOMED. SECOND QUARTER DEVELOPMENTS WERE BETTER THAN EXPECTED. EMPLOYMENT ROSE SLIGHTLY, STIMULATED BY RISING PUBLIC WORKS ACTIVITIES. HOUSING ALSO TURNED UPWARDS THOUGH LITTLE. THERE WAS A SLIGHT REDUCTION IN THE AMOUNT OF CONTRACTS ON HAND, HOWEVER, AND THE CONSTRUCTION INDUSTRY DOES NOT HOPE FOR BETTER THAN UNCHANGED ACTIVITY LEVELS IN THE THIRD QUARTER.

4. COMMENT: ON BASIS OF REGISTERED DEMAND DEVELOPMENTS, THE RATHER PESSIMISTIC BUSINESS OUTLOOK SEEMS WELL FOUNDED. RETAIL SALES IN MAY WERE FIVE PERCENT BELOW THE SAME MONTHS LAST YEAR. AND FOR JANUARY THROUGH MAY 2 - 3 PERCENT DOWN. (DEFLATED AND SEASONALLY ADJUSTED FIGURES). INDUSTRIAL EXPORT SALES IN THE FIRST HALF OF 1975 ROSE NINE PERCENT IN CURRENT PRICES WHICH PRESUMABLY MEANS THAT EXPORT VOLUMES WERE UNCHANGED, AT BEST. THE CONTINUED INVENTORY REDUCTION WAS REFLECTED IN AN ESTIMATED TWENTY PERCENT DECLINE IN IMPORT VOLUMES. BARRING AN ABRUPT UP TURN IN DOMESTIC OR EXPORT DEMAND, IT MAY BE DIFFICULT TO AVOID A NEGATIVE GROWTH RATE OF THE DANISH

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ECONOMY IN 1975.
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